**OUTSOURCING**

Typically a big business strategy to maximise profits, outsourcing has now evolved into a viable solution that all businesses can benefit from. Outsourcing does not only bring benefits to the business owner; it also works to benefit existing staff, the local economy as well as the contracting firm. If you are interested in the potential benefits to your business and how it can work for you, read on.

The following information reveals exactly how your firm can benefit from outsourcing, thereby expanding your business, and adding value to not only your firm but also to the community.

**What is outsourcing?**

Forbes Magazine definition: “Outsourcing is when a company contracts with an outside person or company to provide some product or service, such as bookkeeping, payroll processing, or more complicated functions like marketing or IT services. Economists refer to this process of turning to those who can produce a product or service at a lower marginal cost as “comparative advantage,” and it’s the key ingredient to “an efficient and productive economy.”

Businesses should outsource the production of “lower value” services even if they can produce them more efficiently themselves. Historically higher efficiency result from the business not taking the time to look deep into their processes and identify them so they can be transferred. There are some unique strategies to allow you to create and capture a process that makes outsourcing more approachable.

This process does not only add value to your internal process but allows you to more efficiently and effectively manage your workload. This enables you to maximise efficiency … outsourcing specific tasks which will lead to increased productivity, revenue and job satisfaction.

Why even consider outsourcing? Every business activity you perform has an opportunity cost, and in most cases, Australian businesses are allocating compliance work to highly educated and trained staff members. This however can be completed to a high standard by well trained and less costly workers for around a third of the price of what you are paying.

Lots of business fear that their staff may be adversely affected by outsourcing, this is not true. Outsourcing will frees up your employees to complete higher value work for your clients. This may be work that is currently not on offer to them and has the potential to add significant value to your bottom line. Therefore making your services more valuable to your clients and increasing your staffs knowledge base and skill level, adding more value to your firm.

**The business of the future**

The business of the future will have two offices, the first one will be in Australia where your staff deal with clients and your technical team work. The second office will be offshore, this will be where all the background office tasks will be performed.

This new business model will work to add value to your clients and increase your bottom line. To achieve this however you will need to implement an effective and efficient offshore strategy.

Taking a look at current Australian businesses will allow us to analyse and then propose a new, more efficient way to achieve the goals of your firm and your clients. There are now lots of case studies available to learn from to make your transition easier.

**Common challenges facing Australian businesses.**

1. Shortage of staff.

There is, by all reports, a shortage of administrative staff in Australia. Finding and retaining experience and qualified staff has become exceedingly difficult. Losing a staff member during busy periods of the year can have a large negative impact on your productivity and also your billing. Having an effective offshore team is a solution to this problem. There are a significant number of culturally good fit, highly qualified, highly trained administrative staff who are available to work for you.

1. High cost of wages in Australia.

It is no secret that employing staff is very costly but what choice do you have? Employees are essential and you are therefore forced to pay up, you are forced to watch as your margins shrink and your profits become harder to realise.

Utilising our business model you can hire full-time dedicated employees for only between $25,000 and $30,000 AUD per year – all up costs including all fees. This low wage will allow you to employ three offshore staff for the price of one staff member in Australia. This therefore allows you to increase the capacity of your firm by a minimum of 200% for no extra cost. You may believe that this solution is detrimental as you would be putting people out of work, however this is not the case. It is a complementary strategy. By hiring less expensive overseas employees you are streamlining your business and allowing your staff to focus on higher level client paying work.

Your Australian team will be happy to not be overloaded by compliance work. Your clients will be pleased as you are adding greater value to their companies and you will be relieved because your firm will now be operating at a higher rate of efficiency and capacity, improving your bottom line. It’s a win-win situation.

1. Price pressure on overheads.

The evolution of cloud technology and outsourcing becoming common practice, compliance services are becoming increasingly more commoditised which is putting even more pressure and focus on pricing than ever.

The ever changing marketplace now allows firms that used to operate in just one region to now operate on a national or even global scale. Your competitors are becoming more cost effective and mobile. This will eventually allow them to charge less for their services whilst also being able to deliver them more quickly. There are two options, get on the train or get run over as it overtakes you.

It is imperative that your firm is able to stay competitive in a fast paced, ever changing marketplace. We can help you achieve this level of competiveness by helping you focus your valuable resources on higher value work.

**We train your outsourced team**

The training of new staff can be challenging. Finding offshore staff that have knowledge and are well-versed in Australian business practices can be a difficult task. Historically this has been a barrier to employing offshore workers, this is no longer a problem.

We are able to find and train well-educated and competent staff in the methods and systems you use. You could soon realise all the benefits of additional skilled staff, without the headache of management. It is again a win-win situation.

**Your competitors are most likely already in this space**

Those businesses who are the early adopters of outsourcing are already reaping the advantages and the overall consensus is that they are getting more done, more efficiently than you are.

We believe that if you don’t adopt and embrace outsourcing and the changes of technology in the marketplace you will be in severe risk of losing your clients to your competitors. If you are thinking that long lasting business relationships will prevent your clients choosing your lower cost competitor you’re mistaken.

When a more agile, cost-effective and quicker-to-deliver firm swoops in and poaches your clients from underneath you, it will be too late. The way to prevent this is to implement outsourcing as a part of your business model. Outsourcing doesn’t just represent a cost-saving technique, it is a way to deliver must-do compliance work in a more timely and cost-effective manner.

Outsourcing the tasks that contribute a lesser overall value to a lower cost provider enables the firm to capitalise on higher value opportunities. Its straight forward, beneficial and works seamlessly.

**Models of outsourcing**

There are many outsourcing models with more being developed each day as businesses and systems become more nimble and sophisticated. Below are a few of the most common forms of outsourcing for firms along with a brief list of pros and cons for each.

1. Odesk/freelancer/Elance
2. Project style work
3. Business process outsourcing (BPO)
4. Build-Operate-Transfer Model

**1. Odesk/freelancer/Elance:**

This is a low cost, project style of work. You can list a job or task you would like to be completed and various individuals or companies from around the world can bid on the job. You will soon be presented with an extensive range of people who claim to be qualified in completing the task. This model is great for one-off tasks e.g. creating a database or graphic design work.

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| **Pros:** | **Cons:** |
| * Cost effectiveness. Due to the fact you have a diverse range of people bidding on your job the cost of the task is, in most cases, low. | * Freelancers are sometimes winning the jobs, then giving them to other companies to complete, acting like an agency. You don’t really know who’s completing the work and if they have the right qualifications. |
| * Time. The timeframe in which you would like the job to be completed in can be requested and then met, making the process a quick and seamless one. | * Some companies fabricate their previous work and skills, making it hard to know if you will receive the standard of work you bargained for until it has been completed. |
| * Quality of work. You are able to select the option that you believe will allow for your job to be completed to your standards. | * It can be difficult to brief them in detail on what the task requires, and the work is not always completed as requested due to the miscommunication of what is really needed. |

**2. Project style work:**

There has been an emergence of increasingly specialized outsourcing centres being created to complete a wide range of jobs on a project basis. For example, a company in India completing work for $350 per entity.

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| **Pros:** | **Cons:** |
| * You are able to get your backlog of work done in a cost-effective and timely manner without the need to employ extra staff | * In some cases these processing centres are set-up by offshore companies who have limited local tax knowledge. Everything they have learned has been remotely without context or background information |
| * No training is to be required. | * With the lack of Australian specific knowledge the team members will sometimes produce work that is of a lower quality and will require significant and detailed reviews, which is time consuming. Don’t be fooled by the marketing which may promise more than they are able to deliver. |
|  | * Time differences and language barriers are a factor. |

1. **Business process outsourcing (BPO):**

One of the areas of outsourcing which is experiencing significant growth is the BPO sector. BPO labour is, in basic terms, a labour and service office all in one. The BPO provides all the required facilities and services for your offshore team to operate in e.g. office environment and management. They also recruit your new offshore team, manage the HR, payroll and all employee related matters. All there is for you to do is manage the workflow and training required for your new team to fulfil their role.

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| **Pros:** | **Cons:** |
| * Specialised BPOs understand your business and are set-up to cater specifically to your business needs | * Once your team exceeds 25 it can become expensive in relation to operating your own BPO or office. |
| * You are freed from staff management, HR and sick leave as this is all taken care of for you | * If you partner with a BPO that doesn’t understand your industry or business, it can be difficult |
| * Affordable prices * Simple and easy to implement * Easy to grow your team quickly | * to communicate your needs and wants, therefore often not getting the outcome you need. |

1. **Build-Operate-Transfer model**

This model is ideal for firms that know at the outset they want to grow their offshore team to more than 25 members. This model becomes viable when you have in excess of 15 team members on board, it can be a great way to scale and control your offshore team.

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| **Pros:** | **Cons:** |
| * You can create your own environment and culture | * Often perceived to be easier than it actually is. There is a significant learning curve, particularly when it comes to understanding another culture and how it works and what’s expected in negotiations |
| * You are able to control the entire process | * Without local knowledge you will often unintentionally pay “western prices” rather than local prices which proves to be costly. |
| * The costs are most often lower than a BPO once more than 15 members are employed. | * Staff turnover can be high if you do not understand cultural norms. * The time taken to set-up can be time consuming and expensive. |

To summarise, deciding which model works best for you isn’t always a simple task. The best way to approaching choosing a model is to build an offshore strategy, then find a partner who can help turn those plans into actions.

**What can be outsourced?**

Lots of firms that consider outsourcing jump straight to delegating staff to roles in which they are currently short staffed or which they find difficult or time consuming. There is no specific task which is good to outsource, everything can be outsourced. What is outsourced depends on your businesses needs and the direction you see your business heading.

**Engagement of your Australian team**

Having a plan in place that includes current staff is important as they won’t feel threatened by the new concept of outsourcing. Many businesses don’t know how to effectively engage their teams, we will tell you how.

The following steps will tell you an effective way to engage your current employees.

1. **Empower them with the firm’s vision**

Have a meeting in which you discuss the future of your firm and where you see your industry and business 5 years down the track. After this, outline where your firm currently sits and where you need to be in order to achieve your 5 year plan. Be sure they understand that your 5 year plan includes them: Which is why you are having this meeting, not to threaten them but instead to empower them and engage them.

1. **Involve current employees by providing insight into tasks that can be outsourced**

There are a majority of team members who are doing work they shouldn’t be doing and that can be outsourced. The easiest way to identify these tasks are to ask for your team’s viewpoint.

To achieve this, ask each member to work out an hourly billable rate and record each task they do and put it into one of two categories.

1. Tasks that can be outsourced and done by someone with a lower billable
2. Tasks that really add value by completing themselves and are in line with the outsourcing rate.

When completed you will have a comprehensive list of the exact tasks that are able to be outsourced from each team member.

1. **Keep them in the loop and give them ownership of the process**

Keep your team up-to-date and involved in the discussions about the implementation of your strategy. There is no point keeping them in the dark as it will cast doubt and therefore will be fearful that the change will negatively affect them.

Transparency wins. You are able to gain a fresh perspective, employees feel valued, they provide input and are able to see what you are doing is not a threat to them. Keeping in mind that everyone needs to embrace the change. As this may be one of your firms biggest changes in recent memory you will want to make sure u have enthusiastic buy-in staff.

1. **Reassure them their jobs are not at risk**

Make sure your Australian team is aware that outsourcing is not a cost-reduction strategy but rather one of growth prospects. Help them to see that they will be doing less of what they don’t like and more of what they do like. Be aware that you might lose some team members who are not open to this new change. Finally do not let this discourage you from the implementation of your plan. In the end everyone wins, for some it is hard to see that early on.

**Simple tips in getting your business ready to outsource**

A major roadblock many firms are faced with when implementing outsourcing is a lack of time and not having systems and processes in place to get the job done.

Realistically there will never be a perfect time for your time to adopt outsourcing, as your firm will always be busy. The point in taking the time to set this up and get it right is that you’ll be busy with more productive work and that’s worth finding time for. You will never be less busy, so don’t let that stop you from taking advantage of outsourcing. Remember, if your competitors make the time and you don’t, you’re the one that’s losing.

As a business owner you must remember to work ON your business not just IN it. This is often a mindset that separates those firms who are hugely profitable compared to those who are less.

1. Assemble your team and map out the process from the first contact with a client is made to the ongoing relationship and what you deliver to your clients on a regular basis.

Once the client process is mapped out, put it into a visual representation so you can see hoe clients interface with your firm. Next you can capture these processes with video and written instructions that then can be used to train your new offshore team so they can perform to your standards.

You will have engagement with your team and the will be relieved to know they can turn over some of these processes to someone who will do them to the firms standards, so they can focus on things that add higher value.

The easiest way to make video on how to do the work to a high standard is to set-up a quiet space in your office where your staff members can record themselves as they work. Screen capturing is simple to do and they will just have to talk through what they are doing.

Now you will have a Video Training Series that documents every process your firm uses. Once completed you can get them transcribed off shore (for around $3 an hour) and you will also have a written process to accompany the video.

The effort taken in order to set this up will more than pay for itself, even in the short run.

1. Build these processes and systems into a library for your client management system. An easy way to ensure consistency of processes and systems is to have a tasking system that everyone is on board with.

Choose a project management system. A good operating system will allow you to track the completion of tasks and identify areas of difficulty, as well as monitor the efficiency and effectiveness to which tasks are being completed.

Whilst this process may seem complex, especially if you have not done it before, there is no need to worry as is can be done quickly and easily. Essentially your tem is simply recording what they are doing, as they do it. It is able to work well if you are able to update your processes as they change and become more efficient. The more streamlined the information and processes are, the better the results.

**How to train and manage your new offshore team**

The engagement between your Australian and offshore teams will have a direct effect on how the success of your outsourcing endeavours.

Choose a dedicated staff member who will be responsible for the offshore teams training and their management. Alternately you can choose a staff member for each job you have. For example one for administration and one for bookkeeping. This will allow for the process to flow much easier and is critical for success.

In order for your offshore team to be operational as quickly as possible the following steps are recommended.

1. **Week 1**

This is when the training videos come into play, the first week is best spent allowing the offshore team to learn the processes of your business. Watching the videos will allow them to gain an understanding of the exact work they will be doing.

This will allow them to become quickly familiar with their role before specific training takes place. This will also allow them to get an overview of the whole process and workflow. Showing them the big picture will allow them to better absorb more readily.

1. **Weeks 2 & 3**

Visit your team and train them face-to-face. Doing this will allow you to give them specific training and allow them to learn about you, your firm and your firms culture and values.

It is best to take along with you any dedicated staff members you have for specific areas as they are ultimately responsible for working with them. During the third week it is recommended that you allow them to complete the work on their own, whilst you are there to assist with any questions they may have and to also complete any retraining needed.

1. **Weeks 4 through 8**

Your dedicated staff member should allocate time in order to meet each of the offshore team members, under their guidance, in order to review their work and provide details on mistakes made or processes that have been done incorrectly. The dedicated staff member may then point them to a specific training video or retrain them themselves. Once this is done the offshore team member should retry the task, once done several times if needed the task should become familiar and no further training will be needed.

1. **Week 9**

The best option is to return to your offshore team and conduct a face-to-face training on tasks that the offshore team are challenged with or new higher level tasks you want them to take on board. This will also be a good opportunity to strengthen your bond with the team.

1. **Week 10 onwards**

There is no specific number of times you should visit your offshore team per year. Some firms choose to visit once every 3 months, whilst others choose to never visit. The best approach is to set a schedule and if the team needs more or less face-to-face training. Keeping in mind a small investment in an airfare could see a rise in productivity.]

**Managing your offshore team**

1. **Appoint a dedicated staff member**

In your home office appoint a dedicated staff member to lead a certain team or oversee a specific task in the offshore office. The only way outsourcing works effectively is if you commit to training and assisting your offshore team.

The best results stem from the dedicated staff member training, reviewing and working with the offshore team leader. This role is most often given to the Australian staff member who was previously doing the work. This staff member then becomes responsible for the success of the training and growth of the offshore team.

1. **Treat your offshore team as if they were in your office**

You should aim to think of and treat your offshore team as if they were in your office. A successful relationship requires that your offshore staff feel a part of the team.

Make an effort to ensure they are a part of your internal communications. Communicate with them on a regular basis and be ready to assist with training and development. Its simple logic. You wouldn’t employ someone in your Australian office, not interact with them and expect great results. Your offshore team will be no different.

The more contact you have with your offshore team, the more they feel a part of your business. The more they feel like they are included, the more motivated they feel to perform to the best of their ability. With recent developments in communications, keeping in contact is very easy. Setting a schedule of when you or your dedicated staff member is to contact your offshore team is a great way to establish regular contact.

1. **Clear expectations and KPI’s** – Outsourcing works well when clear expectations have been set on workloads and key performance indicators (KPI’s) for both your Australian and offshore teams. In setting these expectations they must be achievable, if they are unrealistic it will only demoralize the team. Typically it takes around 3 months to get your team to the point where it is a well-oiled machine. Set KPI’s that can be achieved and then advanced as time moves on.
2. **Make regular face-to-face and voice contact**

To get the best engagement and connectivity with your offshore team, schedule regular face-to-face and voice contact. Platforms like skype, Join Me and GoToMeeting allow face-to-face and voice communications with anyone, anywhere. It also achieves similar results to face-to-face meetings as you can see one another and get to know each other.

1. **English as second language -** Most offshore workers are taught English from an early age and most are fluent, however there may still be some subtleties of written communication that can lead to some misunderstandings. May Asian countries are sometimes indirect with their communications which has the ability to result in misunderstandings, this cultural difference can easily be overcome and lead to more efficient communication and work. For example, they may say “yes” but don’t fully understand what you are saying, the best way to overcome this is to get them to repeat the instructions back to you, this ensures they are clear of what they have to do.

**Contact us**

Call us: 0419 911 444

Email us: Brenton@businesssymmetry.com.au